

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 21, 2006, BOARD MEETING

BOARD MEMBERS PRESENT: Mark Sanford, President
Clarence Corneil, Trustee
Kim Franz, Trustee
Michael Gessner, Trustee
Lowell Latimer, Trustee

BOARD MEMBER ABSENT: Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Connie Flanagan, Fiscal & Investment Officer
Bonnie Heit, Office Manager
Les Mason, Internal Audit Supervisor
Shelly Schumacher, Retirement Supervisor
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Michelle DeLange, Buck Consultants
Bill Kalanek, NDRTA
Chad Myhre, Insurance Dept.
Dave Slishinsky, Buck Consultants
Aaron Webb, Attorney General's Office
Joe Westby, NDEA

CALL TO ORDER:

Dr. Mark Sanford, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, September 21, 2006, at Job Service ND, 1601 E Century, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT SANFORD, MR. GESSNER, DR. LATIMER, MR. CORNEIL, AND MRS. FRANZ.

Dr. Sanford welcomed Mr. Aaron Webb, Assistant Attorney General, to the TFFR Board meeting. Mr. Webb replaced Mr. Scott Miller as TFFR's legal counsel from the Attorney General's Office.

MINUTES:

The Board considered the minutes of the July 13, 2006, board meeting.

MR. GESSNER MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE JULY 13, 2006, BOARD MEETING.

AYES: PRESIDENT SANFORD, MR. GESSNER, MR. CORNEIL, DR. LATIMER, AND MRS. FRANZ.

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED

ANNUAL TFFR INVESTMENT REVIEW:

Mr. Steve Cochrane, Executive Director and Chief Investment Officer, presented TFFR's Annual Investment Review. Mr. Cochrane stated TFFR's net return as of June 30, 2006, was 14.79%. A copy of Mr. Cochrane's presentation is on file at the Retirement and Investment Office (RIO). Mr. Cochrane also reviewed the September 22, 2006 SIB meeting agenda.

MR. CORNEIL MOVED AND DR. LATIMER SECONDED TO ACCEPT THE ANNUAL TFFR INVESTMENT REVIEW AS PRESENTED.

AYES: MRS. FRANZ, PRESIDENT SANFORD, DR. LATIMER, MR. GESSNER, AND MR. CORNEIL

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED

TFFR GOALS REVIEW:

As requested at the July meeting, Mrs. Fay Kopp, Deputy Executive Director, presented a draft of revised Board goals which better reflect what the Board is trying to achieve in the areas of funding, investments, benefits, and services as follows:

Investment and Funding Goals:

- Prudently invest assets in a well diversified portfolio to optimize long term returns while controlling risk to the fund.
- Accumulate sufficient funds to pay all current and future benefit and expense obligations when due.
- Improve and maintain adequate funding of all promised benefits to ensure the financial integrity of the system.

- Build a funding cushion to provide for future benefit improvements.

Benefit Goals:

- Provide 2.0% benefit formula for all current and future retirees.
- Provide ad hoc retiree benefit adjustments (fixed formula and/or percent based) for all current and future retirees to maintain purchasing power of retirement benefits and assist with rising health care costs.

Service Goals:

- Administer accurate, prompt, and efficient pension benefits program.
- Deliver high quality, friendly service to members and employers.
- Provide educational outreach programs including pre retirement seminars and individual benefits counseling sessions.

After discussion of the draft goals,

MR. CORNEIL MOVED AND DR. LATIMER SECONDED TO REMOVE THE WORD "OR" FROM THE BENEFIT GOAL RELATING TO PROVIDING AD HOC RETIREE ADJUSTMENTS AS FOLLOWS: "FIXED FORMULA AND/OR-PERCENT BASED."

AYES: MR. GESSNER, DR. LATIMER, MRS. FRANZ, MR. CORNEIL, AND PRESIDENT SANFORD

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED

After additional discussion,

MR. GESSNER MOVED AND MRS. FRANZ SECONDED TO INCLUDE THREE ACTUARIAL MEASUREMENTS TO THE BENEFIT GOAL RELATING TO PROVIDING AD HOC RETIREE BENEFIT ADJUSTMENTS AS FOLLOWS: "1) POSITIVE CONTRIBUTION MARGIN; 2) AMORTIZATION OF UAAL WITHIN GASB 30-YEAR FUNDING PERIOD; AND 3) FUNDED RATIO OF 90% OR GREATER;" AND APPROVE THE DRAFT GOALS, AS MODIFIED, FOR THE 2006-07 FISCAL YEAR.

AYES: MR. CORNEIL, MRS. FRANZ, DR. LATIMER, PRESIDENT SANFORD, MR. GESSNER

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED

ANNUAL RIO BUDGET REPORT:

Mrs. Connie Flanagan, Fiscal and Investment Officer, presented an overview of the Retirement and Investment Office's (RIO) financial condition as of June 30, 2006, and the 2007-09 budget request. A copy of Mrs. Flanagan's report is on file at RIO.

DR. LATIMER MOVED AND MR. GESSNER SECONDED TO APPROVE RIO'S BUDGET REPORT AS PRESENTED.

AYES: PRESIDENT SANFORD, MRS. FRANZ, DR. LATIMER, MR. GESSNER, AND MR. CORNEIL

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED

ACTUARIAL AUDIT REPORT:

Mr. Dave Slishinsky and Ms. Michelle DeLange, Buck Consultants (Buck), presented the results of the actuarial audit report of TFFR's current actuarial valuation conducted by Gabriel, Roeder, Smith and Company (GRS) and provided suggestions for improvement. A copy of the complete audit report and presentation are on file at RIO.

Mr. Slishinsky stated that Buck Consultants found the work done by the current actuary to be reasonable and performed in accordance with generally accepted actuarial principles and practices. Buck's main audit recommendation was to replace the modified entry age actuarial method with the conventional entry age actuarial method. Buck recommended adding a reconciliation of census data with the prior valuation and adding an actuarial gain/loss analysis by source exhibit to the report. Buck also presented a number of minor suggestions relating to the actuarial report, data, and projections.

The Buck audit report concluded the following:

1. Assumptions are generally reasonable and reflect system experience.
2. Asset valuation method is appropriate, properly applied and reasonable.
3. Valuation results accurately represent the financial requirements of the systems.
4. Buck finds the GRS actuarial results reasonable based on their full scope review.
5. Contribution rates need to be increased in order to meet funding policy.

Mrs. Kopp commented on the audit recommendations and conclusions and noted that GRS will be given the opportunity to respond to the report. The GRS written response will be provided at the November meeting for discussion by the Board.

MRS. FRANZ MOVED AND MR. CORNEIL SECONDED TO APPROVE BUCK CONSULTANT'S AUDIT REPORT.

AYES: MRS. FRANZ, MR. CORNEIL, MR. GESSNER, DR. LATIMER, AND PRESIDENT SANFORD

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED.

The Board recessed at 3:30 pm and reconvened at 3:40 pm.

ANNUAL TFFR PROGRAM AUDIT REPORT:

Mr. Les Mason, Internal Audit Supervisor, presented TFFR's annual program audit report. A copy of Mr. Mason's report is on file at RIO.

MR. GESSNER MOVED AND MR. CORNEIL SECONDED TO APPROVE TFFR'S ANNUAL PROGRAM AUDIT REPORT AS PRESENTED.

AYES: DR. LATIMER, MRS. FRANZ, PRESIDENT SANFORD, MR. GESSNER, AND MR. CORNEIL

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED.

ANNUAL TFFR ENDS REPORT:

Mrs. Shelly Schumacher, Retirement Programs Supervisor, presented the annual TFFR Ends report. A copy of Mrs. Schumacher's report is on file at RIO.

DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO APPROVE TFFR'S ANNUAL ENDS REPORT AS PRESENTED.

AYES: MRS. FRANZ, DR. LATIMER, MR. GESSNER, MR. CORNEIL, PRESIDENT SANFORD

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED.

LEGISLATIVE UPDATE:

Mrs. Kopp informed the Board the next Employee Benefits Programs Committee (EBPC) meeting is scheduled for October 24, 2006, at 9:00 am in the Harvest Room, State Capitol, Bismarck, ND. At this meeting, the Committee will receive the annual actuarial valuation reports, actuarial and technical comments on the bill drafts, and testimony from the public. The Committee will also make a recommendation on the bill drafts.

For informational purposes, Mrs. Kopp presented estimated funding projections with and without proposed legislative changes. Estimates are based on the 2005 valuation, and will be updated by the actuary after the 2006 valuation is completed.

Mrs. Kopp also briefly highlighted federal legislative issues. She noted that Congressman Pomeroy was selected to receive the NCTR Award for Outstanding Service to Public Pensions. She also commented on the Pension Reform Act of 2006, and concerns at the federal level with public plan funding.

CONSENT AGENDA:

MR. CORNEIL MOVED AND MR. GESSNER SECONDED TO APPROVE THE CONSENT AGENDA.

AYES: MR. GESSNER, MRS. FRANZ, DR. LATIMER, PRESIDENT SANFORD, MR. CORNEIL

NAYS: NONE

ABSENT: DR. SANSTEAD, TREASURER SCHMIDT

MOTION CARRIED.

OTHER BUSINESS:

Mrs. Kopp informed the Board the CPAS project closeout report was presented to the Legislative Information Technology Committee on August 6, 2006.

Mrs. Kopp also commented on the presentation she gave to the ND Retired Teachers Association in Minot on September 7, 2006.

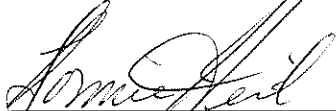
ADJOURNMENT:

With no further business to come before the Board, President Sanford adjourned the meeting at 4:25 p.m.

Respectfully Submitted:



Dr. Mark Sanford, President
Teachers' Fund for Retirement Board



Bonnie Heit
Reporting Secretary